

UTILITY CORP.

Annual Report *to Shareholders*

May 21, 2003

REPORT TO SHAREHOLDERS

The following presents the financial results of Utility Corp. (the "Company") for the years ended May 21, 2003 and 2002.

Financial Performance

For the year ended May 21, 2003, the Company's net investment income per share was \$1.3667 (2002 – \$1.3963). The decrease of \$0.03 per share, or 2%, is primarily due to a decline in dividend revenue of \$0.08 per share as a result of a dividend decrease by TELUS Corporation in December 2001, partially offset by dividend increases of \$0.05 per share from a number of the Company's underlying portfolio securities. Total net investment income was \$2,537,917 (2002 – \$2,981,623), reflecting the reduced size of the portfolio following the 2002 special annual retraction when 279,158 Class C Shares were tendered for retraction.

It is Utility Corp.'s policy to declare and pay equal monthly dividends on the outstanding Class C Shares based on the expected annual dividends and interest income, if any, earned by the portfolio less expected annual expenses. The Company retains a portion of net investment income, representing an amount of investment income not yet received. As a result of this dividend policy, for the year ended May 21, 2003, the Company paid dividends per share of \$1.224 (2002 – \$1.4664), representing a dividend yield of 3.4% at May 21, 2003 (2002 – 3.6%). The decrease of \$0.2424 per share, or 16.5%, is due to a decline in dividend revenue as a result of the dividend decrease by TELUS Corporation. In addition, as described in the Company's Information Circular dated January 31, 2003, a one time special dividend was declared in January 2003 in the amount of \$1.28 per Class C Share in order to recover certain refundable tax that had previously been paid by the Company on its dividend income. In total, the Company paid dividends per share of \$2.504 (2002 – \$1.4664).

At May 21, 2003, the Net Asset Value per Class C Share was \$38.24 as compared to \$41.43 at May 21, 2002, representing a decrease of 8% due to a reduction in the market value of the portfolio. The total market value of the Company's portfolio at May 21, 2003 was \$57,742,035 (2002 – \$76,944,525) and includes unrealized appreciation, since its inception in 1993, of \$24,939,855 (2002 – \$34,576,818). The portfolio holdings have been adjusted to reflect the special annual retraction on May 21, 2003, for which a total of 332,219 (2002 – 279,158) Class C Shares were retracted for cash and portfolio securities with an aggregate value of \$12,731,528 (2002 – \$11,556,246).

Capital Reorganization

On March 5, 2003, the shareholders of the Company approved a capital reorganization extending the termination date of the Company to May 18, 2008. As part of the extension, a one time adjustment of the Company's portfolio was undertaken in May 2003 in order to reduce the overweighing of certain investments so that no single investment represented, at that time, more than 15% of the portfolio's market value.

Statement of Corporate Governance Practices

The Board of Directors of Utility Corp. is responsible for the overall stewardship of the Company's business and affairs. The Company is a mutual fund corporation created to acquire and hold its investment portfolio and only trades its portfolio securities in limited circumstances as described in the Company's original prospectus and most recent Information Circular. As such, its portfolio is not actively traded and it can be considered to be a passive investment vehicle. The Company's administrator, Scotia Capital Inc. (the "Administrator"), administers many functions associated with the operations of the Company pursuant to an administration agreement entered into at the time the Company issued its shares to the public, and renewed under substantially the same terms on May 19, 1998 and subsequently on May 20, 2003. Under this agreement the Administrator is responsible for certain day to day operations of the Company including the payment of dividends on its Class C Shares and attending to the retraction or redemption of its Class C Shares in accordance with their terms. Many of the Board of Directors' and management's responsibilities are set forth and provided for in the Company's prospectus.


The Board of Directors of the Company consists of six directors, three of whom are unrelated and three of whom are senior officers of the Administrator. The Board of Directors believes that this number of directors is appropriate for the Company. The Chairman of the Board of Directors is not the Chief Executive Officer of the Company and is an unrelated director. Only unrelated directors are compensated by the Company. Compensation is considered appropriate given the risk and responsibilities placed on each director. The only standing committee of the Board of Directors is the Audit Committee. The Audit Committee consists of three members, two of whom are unrelated directors. The Chairman of the Audit Committee is an unrelated director. The Audit Committee has responsibility to oversee the Company's financial statements and reports and makes recommendations in respect thereof to the Board of Directors before their approval by the Board. The Board of Directors is responsible for developing the Company's approach to governance issues and for proposing new nominees to the Board (should the need arise) and has not assigned these responsibilities to a committee. Independent directors may engage outside advisors at the Company's expense subject to the approval of the independent directors.

The Company, through its Administrator, maintains an Investor Relations line and web site to respond to inquiries from shareholders.

UTILITY CORP.

Given the nature of the Company's business, its limited operations and term, and given that the Administrator performs many day to day functions for the Company, the guidelines set forth in subsections 474 (2), (4), (5) and (13) of the TSX's Company Manual are either inapplicable to or not appropriate for the Company.

This report, along with the accompanying audited financial statements of the Company, is respectfully submitted to you on behalf of the Board of Directors of Utility Corp.



Toronto, Canada
August 6, 2003

Robert C. Williams
President and Chief Executive Officer

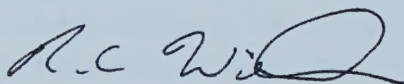
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Utility Corp. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The financial statements have been audited by Ernst & Young LLP on behalf of the shareholders.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities through its Audit Committee (the "Committee").

The Committee is appointed by the Board. The Committee meets periodically with management and the external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings semi-annually to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. Ernst & Young LLP has full and free access to the Committee.



Robert C. Williams
Chief Executive Officer



Michael K. Warman
Chief Financial Officer

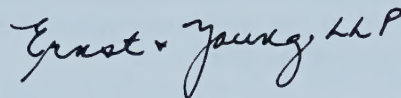
Toronto, Canada
August 6, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the statements of net assets and investments of Utility Corp. as at May 21, 2003 and 2002 and the statements of investment operations, changes in net assets and undistributed net realized gain on disposition of investments for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Company as at May 21, 2003 and 2002 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
July 15, 2003

Ernst & Young LLP
Chartered Accountants

UTILITY CORP.

STATEMENTS OF NET ASSETS

As at May 21

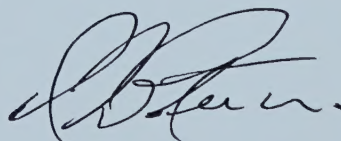
	2003	2002
Assets		
Investment portfolio, at market value	\$ 57,742,035	\$ 76,944,525
Cash and short-term investments	121,741	113,088
Dividends receivable	251,971	307,413
Refundable taxes (note 6)	594,751	586,198
	<u>58,710,498</u>	<u>77,951,224</u>
Liabilities		
Accrued liabilities (note 7)	67,194	42,247
Part IV tax payable (note 6)	—	72,116
Reorganization costs payable (notes 1, 3 and 7)	53,290	—
	<u>120,484</u>	<u>114,363</u>
	<u>\$ 58,590,014</u>	<u>\$ 77,836,861</u>
Shareholders' Equity		
Share capital (notes 1 and 3)	\$ 34,549,063	\$ 43,478,695
Unrealized appreciation of investments	24,939,855	34,576,818
Distribution in respect of unrealized appreciation (notes 1 and 4)	(1,586,977)	(1,932,745)
Cumulative results of net investment operations	(1,202,974)	909,062
Undistributed net realized gain	1,891,047	805,031
	<u>\$ 58,590,014</u>	<u>\$ 77,836,861</u>
Number of Shares outstanding (note 3)	<u>1,524,791</u>	<u>1,857,010</u>
Net Asset Value per Share (note 8)	<u>\$ 38.24</u>	<u>\$ 41.43</u>

See accompanying notes to financial statements.

On behalf of the Board:



Robert C. Williams
Director



Donald W. Paterson
Chairman of the Board

UTILITY CORP.

STATEMENTS OF INVESTMENT OPERATIONS

For the Years Ended May 21

	2003	2002
Revenue		
Dividends	\$ 2,844,059	\$ 3,356,644
Interest	14,357	13,419
	<u>2,858,416</u>	<u>3,370,063</u>
Expenses		
Administration fees (note 7)	191,120	248,293
Directors' fees	29,384	27,300
Audit fees	16,766	14,500
Listing fees	14,664	14,148
Transfer agent fees	13,850	18,210
Printing and mailing charges	13,731	13,784
Legal fees	6,750	15,000
Custodial fees	5,400	5,500
Other (note 5)	28,834	31,705
	<u>320,499</u>	<u>388,440</u>
Net investment income for the year	2,537,917	2,981,623
Cumulative results of net investment operations, beginning of year	909,062	1,059,917
Dividends paid	(4,649,953)	(3,132,478)
Cumulative results of net investment operations, end of year	<u>\$ (1,202,974)</u>	<u>\$ 909,062</u>
Net investment income per Share *	<u>\$ 1.3667</u>	<u>\$ 1.3963</u>
Dividends paid per Share	<u>\$ 2.5040</u>	<u>\$ 1.4664</u>

* Based on the weighted average number of shares outstanding.

See accompanying notes to financial statements.

UTILITY CORP.

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended May 21

	2003	2002
Capital transactions		
Issuance of 100 Special Non-Voting Shares	\$ 100	\$ —
Capital gains dividend paid	—	(1,432,514)
Increase in stated capital of Class C Shares	—	1,432,514
Reorganization costs incurred	(1,402,262)	—
Retraction of Class C Shares	(12,731,528)	(11,556,246)
	<u>(14,133,690)</u>	<u>(11,556,246)</u>
Investment transactions		
Cost of investment portfolio, beginning of year	(42,367,707)	(48,736,452)
Purchase of investment portfolio	(651,978)	—
Cost of investment portfolio, end of year	<u>32,802,180</u>	<u>42,367,707</u>
Cost of investments disposed of	(10,217,505)	(6,368,745)
Market value of investments disposed of	<u>16,853,347</u>	<u>11,558,656</u>
Net realized gain on disposition of investments	6,635,842	5,189,911
Change in unrealized appreciation of investments	<u>(9,636,963)</u>	<u>(14,879,012)</u>
Total realized and unrealized loss on investments	<u>(3,001,121)</u>	<u>(9,689,101)</u>
Income transactions		
Net investment income for the year	2,537,917	2,981,623
Dividends paid	<u>(4,649,953)</u>	<u>(3,132,478)</u>
	<u>(2,112,036)</u>	<u>(150,855)</u>
Changes in net assets during the year	<u>(19,246,847)</u>	<u>(21,396,202)</u>
Net assets, beginning of year	<u>77,836,861</u>	<u>99,233,063</u>
Net assets, end of year	<u>\$ 58,590,014</u>	<u>\$ 77,836,861</u>

See accompanying notes to financial statements.

UTILITY CORP.

STATEMENTS OF UNDISTRIBUTED NET REALIZED GAIN ON DISPOSITION OF INVESTMENTS

For the Years Ended May 21

	<u>2003</u>	<u>2002</u>
Undistributed net realized gain, beginning of year	\$ 805,031	\$ 2,358,613
Market value of investments disposed of	16,853,347	11,558,656
Cost of investments disposed of	<u>(10,217,505)</u>	<u>(6,368,745)</u>
Net realized gain on disposition of investments	6,635,842	5,189,911
Net realized gain distributed on retraction	(5,549,826)	(5,310,979)
Capital gains dividend paid	<u>—</u>	<u>(1,432,514)</u>
Undistributed net realized gain, end of year	<u>\$ 1,891,047</u>	<u>\$ 805,031</u>

See accompanying notes to financial statements.

UTILITY CORP.

STATEMENTS OF INVESTMENTS

As at May 21

Number of Common Shares		Company	Market Value		Cost		% of Portfolio at Cost	
2003	2002		2003	2002	2003	2002	2003	2002
304,287	605,987	Aliant Inc.	\$ 8,596,108	\$18,179,610	\$ 4,175,476	\$ 8,315,453	12.7	19.6
106,772	114,297	BCE Inc.	3,009,902	2,977,437	884,608	901,777	2.7	2.1
3,575	3,825	Canadian Utilities Limited (Class A)	194,802	222,998	85,707	89,658	0.3	0.2
164,605	185,606	Canadian Utilities Limited (Class B)	8,977,556	10,941,473	3,851,744	4,343,166	11.7	10.3
42,983	46,015	Duke Energy Canada Exchangeco Inc.	1,025,145	2,422,690	1,135,893	1,217,930	3.5	2.9
415,464	444,847	Emera Incorporated	6,917,476	7,428,946	4,916,624	5,225,726	15.0	12.3
185,888	272,081	Enbridge Inc.	8,785,067	13,073,492	2,755,448	4,033,100	8.4	9.5
46,359	49,620	Fortis Inc.	2,596,104	2,421,456	1,172,727	1,227,786	3.6	2.9
—	179,494	Nortel Networks Corporation	—	746,695	—	2,285,834	—	5.4
237,679	254,461	TELUS Corporation	4,846,274	3,562,453	4,757,690	5,090,223	14.5	12.0
79,226	84,823	TELUS Corporation (non-voting)	1,465,681	1,123,905	1,580,389	1,694,133	4.8	4.0
79,009	84,571	Terasen Inc. ¹	3,180,112	3,433,583	1,264,666	1,313,405	3.8	3.1
345,842	370,289	TransAlta Corporation	6,335,825	8,512,944	5,079,274	5,418,887	15.5	12.8
74,353	79,599	TransCanada Corporation ²	1,811,983	1,896,843	1,141,934	1,210,629	3.5	2.9
			<u>\$57,742,035</u>	<u>\$76,944,525</u>	<u>\$32,802,180</u>	<u>\$42,367,707</u>	<u>100.0</u>	<u>100.0</u>

1 BC Gas Inc. changed its name to Terasen Inc. effective May 5, 2003.

2 TransCanada Pipelines Limited changed its name to TransCanada Corporation effective May 15, 2003.

In accordance with Regulations under the Securities Act (Ontario), a Statement of Portfolio Transactions (unaudited) for the year ended May 21, 2003 will be provided without charge upon request to the Company at: Utility Corp., 40 King Street West, Scotia Plaza, 26th Floor, Station "A", P.O. Box 4085, Toronto, Ontario, M5W 2X6.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

May 21, 2003

1. CORPORATE ACTIVITIES

Utility Corp. (the "Company"), incorporated under the laws of Ontario, is a mutual fund corporation whose investment portfolio (the "Portfolio") consists primarily of publicly listed common shares of selected Canadian utility companies. The Company had its first reorganization on May 19, 1998 when 3,427,908 of the existing Class A Shares were converted into new Class C Shares on a one-for-one basis having substantially the same terms and conditions as the Class A Shares, which were redeemed and de-listed from The Toronto Stock Exchange (the "TSX") on May 19, 1998. The Company had subsequent reorganizations on May 19, 2000 and March 5, 2003 when shareholders approved amendments to the Company's Articles. As part of the 2003 reorganization, the Company extended its termination date to May 18, 2008 and undertook a one time adjustment to its Portfolio in order to reduce the overweighting of certain investments so that no single investment represented, at that time, more than 15% of the Portfolio's market value.

As a result of the Company's special annual retraction on May 21, 2003, a total of 332,219 (2002 – 279,158) Class C Shares were exchanged for portfolio securities and cash with an aggregate value of \$12,731,528 (2002 – \$11,556,246). The retraction has been accounted for as a distribution of the realized gains in the amount of \$5,549,826 (2002 – \$5,310,979), a pro rata reduction of the distribution in respect of unrealized appreciation in the amount of \$345,768 (2002 – \$290,543), a pro rata reduction of share capital in an aggregate amount of \$8,528,291 (2002 – \$7,165,986), and a reduction of the related share issue and reorganization costs in the amount of \$1,000,821 (2002 – \$630,176).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

Investments

The Company's investment portfolio is carried at market value. The market value is computed using the closing price on the TSX or another exchange or market. If no closing price is available, an average of the bid and ask prices from the TSX is used.

Short-term investments are presented at cost plus accrued interest which approximates market value. Short-term investments have a maturity date of three months or less from the date of purchase.

Investment transactions are recorded on a trade-date basis.

UTILITY CORP.

Revenue Recognition

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

3. SHARE CAPITAL

Authorized, Issued and Outstanding

The Company's authorized share capital consists of an unlimited number of Class C Shares, ten Class B Shares and 100 Special Non-Voting Shares. Reorganization costs of \$1,402,262 were incurred in connection with the 2003 reorganization of the Company. Such costs have been charged against share capital and, together with the initial issue costs incurred in connection with the organization of the Company and costs incurred in connection with previous reorganizations, will be reduced on a pro rata basis with any future retractions. For the year ended May 21, 2003, the carrying value of the Class C Shares is presented net of issue costs of \$2,007,607 (2002 – \$2,445,021) and reorganization costs of \$2,585,877 (2002 – \$1,747,022).

		2003	2002
1,524,791	Class C Shares (2002 – 1,857,010)	\$ 34,548,953	\$ 43,478,685
10	Class B Shares (2002 – 10)	10	10
100	Special Non-Voting Shares (2002 – nil)	100	—
		\$ 34,549,063	\$ 43,478,695

Class C Shares

Holders of the Class C Shares will be entitled to receive dividends as declared by the Board of Directors of the Company (the "Board"). The Board has indicated that its policy is to declare and pay equal monthly dividends on the Class C Shares based on expected annual dividend and interest income less expected annual expenses.

The Class C Shares are scheduled to be redeemed by the Company on or about May 18, 2008 for a redemption price equal to the Net Asset Value per Class C Share on such date, following the liquidation of the Portfolio.

Except as described below, Class C Shares may be surrendered at any time for retraction and holders of Class C Shares who tender their shares for retraction one or more business days prior to the 9th day of each month (a "Valuation Date") will receive payment on the 7th business day following such Valuation Date.

If a Class C shareholder surrenders 10,000 or more Class C Shares for retraction in any month other than in the month of May, such shareholder may elect to receive (and if such election is accepted by the Company will receive) 95% of its share of the portfolio securities rounded down to the nearest share plus (minus) a number of portfolio securities, as selected by the administrator, valued at the closing price on the Valuation Date, that would represent the share of the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares) of the Company on the retraction date less \$1.00 per share retracted. Class C shareholders not requesting an in specie distribution as described in this paragraph will receive a cash retraction price per Class C Share equal to 95% of the Net Asset Value per Class C Share less \$1.00 per share retracted.

If a Class C shareholder surrenders 10,000 or more Class C Shares for retraction in the month of May, such shareholder may elect to receive (and if such election is accepted by the Company will receive) their pro rata share of the portfolio securities rounded down to the nearest share plus (minus) a number of portfolio securities, as selected by the administrator, valued at the closing price on the Valuation Date, that would represent the pro rata share of the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares) of the Company on the retraction date. Class C shareholders not requesting an in specie distribution as described in this paragraph will receive a cash retraction price equal to 100% of the Net Asset Value per Class C Share.

It should be noted that all the above retractions constitute a taxable disposition of the Company's Shares at the time of the retraction whether the retraction is received in the form of cash or portfolio securities.

Holders of Class C Shares are not entitled to vote at any meetings of the Company other than meetings of the holders of Class C Shares, except as provided by law, or any of the portfolio securities held by the Company.

Class B Shares

The 10 Class B Shares rank subsequent to the Class C Shares as a class with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Company. In the event of the liquidation, dissolution or winding-up of the Company, the holders of the Class B Shares shall be entitled to receive from the assets of the Company \$1.00 per Class B Share. No dividends will be declared or paid on the Class B Shares.

The Class B Shares are redeemable and retractable at a price of \$1.00 per share, being the stated capital thereof. The holders of Class B Shares are entitled to one vote per share.

All of the issued and outstanding Class B Shares of the Company are held by 311788 Ontario Inc. which, in turn, is held by a director and officer of SCI. Such shares have been lodged in escrow and will not be disposed of or dealt with in any manner until all of the Class C Shares have been retracted or redeemed or without the express consent, order or direction in writing of the Ontario Securities Commission.

Special Non-Voting Shares

The Special Non-Voting Shares rank equal to the Class C Shares and Class B Shares with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Company.

Holders of the Special Non-Voting Shares will be entitled to receive dividends as declared by the Board. The Board has indicated that it will adopt a policy to declare from time to time dividends on the Special Non-Voting Shares in an amount equal to the administration fee payable to the Company's administrator and the operating expenses paid by the administrator on behalf of the Company. Accordingly, the Company declared and paid dividends totalling \$16,000 to satisfy a portion of the administration fee.

The Special Non-Voting Shares are redeemable and retractable at any time at a price of \$1.00 per share. Holders of the Special Non-Voting Shares are not entitled to vote at any meetings of the Company other than meetings of the holders of the Special Non-Voting Shares, except as provided by law, or any of the portfolio securities held by the Company.

All of the issued and outstanding Special Non-Voting Shares of the Company are held by the administrator. Such shares will not be disposed of or dealt with in any manner until all of the Class C Shares have been retracted or redeemed or without the express consent, order or direction in writing of the Ontario Securities Commission.

4. DISTRIBUTION IN RESPECT OF UNREALIZED APPRECIATION

A distribution of \$3,567,709 in respect of unrealized appreciation was made to redeeming shareholders on May 19, 1998 as a result of the capital reorganization. At that time, the disposal of common shares was not effected on a pro rata basis due to the sale of the Portfolio debt securities. The distribution represents the unrealized gains which would have been realized had the Portfolio been liquidated on a pro rata basis. The balance has been reduced to \$1,586,977 (2002 – \$1,932,745) to reflect the special annual retraction on May 21, 2003.

5. OTHER EXPENSES

Other expenses include costs incurred for filing fees, insurance expense, bank charges, capital tax and miscellaneous expenses.

6. INCOME TAXES

The Company qualifies and intends to continue to qualify as a mutual fund corporation under the *Income Tax Act* (Canada). As a result thereof the Company does not anticipate that it will be subject to any material non-refundable income tax liability, as anticipated in the Information Circulars dated December 29, 1997 and January 31, 2003.

Part IV tax in the amount of nil (2002 – \$72,116) and income tax in the amount of \$27,779 (2002 – nil) have been incurred for the 2003 year. Cumulative refundable taxes of \$594,751 (2002 – \$586,198) have been recognized as an asset in the financial statements. In January 2003, the Company declared a one time special dividend of \$1.28 per Class C Share in order to recover Part IV tax of \$566,972 in fiscal 2004.

7. RELATED PARTY INFORMATION

The Company has retained Scotia Capital Inc. (“SCI”) under an administration agreement (the “Administration Agreement”), originally dated May 17, 1993 and renewed under substantially the same terms on May 19, 1998 and subsequently on May 20, 2003, to administer all of the ongoing operations of the Company. In consideration for these services, the Company pays SCI a monthly fee in advance equal to $\frac{1}{12}$ of 0.25% of the assets of the Company. Furthermore, if the Company elects to receive stock dividends or participate in a dividend reinvestment plan, the amount by which the proceeds received on such disposition of such portfolio securities, net of any costs of disposition and taxes which are not currently refundable, exceed such amount of cash dividends which would otherwise have been received by the Company, will be paid to SCI. The total administration fee paid to SCI for the year ended May 21, 2003 was \$191,120 (2002 – \$248,293), of which \$16,000 (2002 – nil) was paid by way of dividend. The Administration Agreement will expire when all of the Class C Shares have been retracted or redeemed, which is expected to be on or about May 18, 2008.

All of the issued and outstanding Class B and Special Non-Voting Shares are held by related parties as described in note 3.

During the year, the Company paid SCI commissions of \$21,482 for the sale of portfolio securities to fund the special annual retraction and adjust the Company’s portfolio as part of the capital reorganization (2002 – \$1,822 for the sale of portfolio securities to fund the special annual retraction). In consideration of financial advisory and solicitation services relating to the reorganization, the Company paid a fee aggregating \$957,740 to SCI.

8. NET ASSET VALUE PER SHARE

The “Net Asset Value per Class C Share” on a particular date will be equal to:

- (i) cash on hand plus the Market Price (as defined below) of the Portfolio common shares and other investments of the Company;

less the aggregate of:

- (ii) liabilities, including declared but unpaid dividends on the Class C Shares;
- (iii) dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares; and
- (iv) the amount paid-up on the Class B Shares;

all as determined by the Board, divided by the number of Class C Shares then outstanding.

The “Market Price” of each security in the Portfolio for the purpose of calculating the Net Asset Value per Class C Share will be equal to the weighted average price (net of any sales commissions) per security realized upon the disposition by the Company of such Portfolio security sold to fund a retraction.

Where the Board determines that it is not practicable to sell the proportionate interest in the Portfolio represented by the Class C Shares being retracted, the Market Price of any security in the Portfolio will be: (i) the closing price for such security on the TSX on the trading day immediately preceding the relevant Valuation Date; (ii) if no trading occurred on such day on the TSX, the trading price at which such security traded on such other exchange or market as the administrator may select on such day; or (iii) if no trading prices are available from any exchange or market, the average of the bid and ask prices for such security at closing on the TSX on such day.

For the purpose of reporting the Net Asset Value per Class C Share from time to time, the Net Asset Value per Class C Share on a particular day will be calculated using the Market Price of the Portfolio securities as at the close of trading on such day or, if it is not a trading day, the trading day immediately preceding such day.

UTILITY CORP.

CORPORATE INFORMATION

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Officers & Directors

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Director & Chairman of the Board

Robert C. Williams

Director, President & Chief Executive Officer

Michael K. Warman *

Director, Chief Financial Officer & Secretary

Stanley M. Beck

Director

Brian D. McChesney

Director

John B. Newman *

Director & Chairman of the Audit Committee

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Auditors

Ernst & Young LLP
Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange

Symbol

Class C Shares – UTC.C

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